

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
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TO SECSTATE WASHDC 7402
INFO AMEMBASSY ATHENS
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E.O. 11652: N/A
TAGS: ECON, EALR, EFIN, CY
SUBJECT: TFSC ECONOMIC NEWS: PRICE INCREASES, PROTESTS,
FY 78 BUDGET

REF: (A) NICOSIA A-47 DATED 11/22/77; (B) NICOSIA A-53
DATED 12/16/77

1. "TFSC MINISTER OF FINANCE" FIKRI ANNOUNCED FEB. 23
SUBSTANTIAL PRICE INCREASES ON GASOLINE (61 PERCENT) FUEL OIL
(67 PERCENT) LIQUOR (84 PERCENT) CIGARETTES (28 PERCENT) AND
VARIOUS OTHER IMPORTED ITEMS. IMPORT DUTIES ON AUTOMOBILES
FROM TURKEY WILL REMAIN AT 65 PERCENT AND INCREASE ON THOSE
FROM THE REST OF THE WORLD TO 132 PERCENT. FIKRI SAID THE
PEOPLE WERE BEING CALLED UPON TO SACRIFICE IN ORDER TO SAVE
THE TFSC ECONOMY. HE REASSURED THEM HOWEVER, THAT THE PRICE
OF BREAD AND OTHER STAPLES WILL NOT BE ALLOWED TO RISE.

2. IN RESPONSE TO PRICE INCREASES BY BUSINESS COMMUNITY HAS
BEEN SHARPLY CRITICAL. TURKISH CYPRIOT CHAMBER OF COMMERCE
AND INDUSTRY (TCCCI) ORGANIZED SERIES OF PROTEST MEETINGS
AND ONE-DAY BUSINESS SHUTDOWN. SUPPORT RECEIVED FROM
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EMPLOYERS, CIVIL SERVANTS, HOTELIERS, AND BAKERS UNIONS
AS WELL AS VARIOUS CRAFTSMEN AND ARTISANS SOCIETIES.
RATHER NEBULOUS SET OF DEMANDS CALLED ON GOVERNMENT TO
RECONSIDER PRICE INCREASES AND TO IMMEDIATELY ESTABLISH
"ECONOMIC COUNCIL" IN WHICH TCCCI AND OTHERS WOULD BE
REPRESENTED. COUNCIL APPROVAL WOULD BE REQUIRED BEFORE
GOVERNMENT IMPLEMENTS NEW ECONOMIC MEASURES.

3. GOVERNMENT RESPONDED TO CRITICISM THROUGH "PRIME MINISTER" KONUK WHO BLAMED PRESENT ECONOMIC DIFFICULTIES ON "IMPORTED INFLATION" AND DEVALUATION OF TURKISH LIRA. KONUK, WHO REPORTEDLY CAME CLOSE TO RESIGNING OVER ISSUE, POINTED OUT THAT ECONOMIC AID TO TURKISH COMMUNITY HAS FALLEN AND STRESSED THAT THE COMMUNITY WAS UNDERGOING "SUCCESSFUL TEST OF BEING SELF-SUFFICIENT". "TFSC" ADMINISTRATION CONTINUES TO MEET WITH PROTESTERS BUT NO AGREEMENT HAS YET BEEN REACHED.

4. TFSC LEGISLATIVE ASSEMBLY APPROVED FY 78 BUDGET FEB. 26. EXPENDITURES HAS BEEN SET AT TL 1,593,147.274 (\$63.7 MILLION AT 25 TL TO \$1). TL36,938,256 (\$1.5 MILLION) DEFICIT WILL BE FINANCED THROUGH LOCAL BORROWING. GOVERNMENT OF TURKEY IS EXPECTED BY TFSC TO PROVIDE SUBSIDY OF TL422,350,000 (\$16.9 MILLION). RECENT DELAYS IN TRANSFERS FROM GOT SUGGEST TFSC DEFICIT LIKELY TO BE SUBSTANTIALLY HIGHER THAN FORESEEN IN BUDGET. IN ADDITION BUDGET APPROVED PRIOR ANNOUNCEMENT LIRA DEVALUATION. COMBINATION OF THIS WITH RECENT PRICE INCREASES TURNS TFSC BUDGET DOCUMENT INTO LITTLE MORE THAN INDICATIVE GUIDE TO AREAS IN WHICH TFSC ADMINISTRATION PLANS TO SPEND ITS FUNDS.

5. PER REFAIRS, "NEWS FROM THE NORTH" IS AGAIN FEATURING SELECTED DATA ON TFSC ECONOMY. AIRGRAM FOLLOWS WITH STATISTICS ON GNP, CAPITAL ACCOUNT AND INVESTMENT, UNCLASSIFIED

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CITRUS AND CONSUMER GOODS EXPORTS, AGRICULTURAL LANDUSE, AND PUBLIC EXPENDITURE. TFSC AUTHORITIES HAVE CONFIRMED THAT DATA COMES FROM OFFICIAL SOURCES. CRAWFTRD

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